

Message Text

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11-R
ACTION ARA-06

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O 170515Z SEP 76 ZFF4
FM AMEMBASSY QUITO
TO SECSTATE WASHDC NIACT IMMEDIATE 1575

C O N F I D E N T I A L QUITO 6683

STADIS////////////////////////////////

LIMDIS

FOR DELIVERY NOT BEFORE OPENING OF BUSINESS SEPT 17

E.O. 11652: GDS
TAGS: ENRG PFOR EC
SUBJ: GOE GULF OIL DISPUTE

REF: STATE 229886

1. EMBASSY HAS CAREFULLY CONSIDERED GULF'S PROPOSAL OUTLINED IN REFTTEL

AND OUR CONCLUSION IS THAT IT IS NOT SUFFICIENTLY FORTHCOMING AS
TO MEET THE GOE'S INDISPENSIBLE NEED TO BE ABLE TO TELL THE
PUBLIC THAT GULF HAS COMPLIED WITH THE LAW. THIS PROPOSAL HAS
BEEN PRESENTED ORALLY BY GULF BEFORE ANS WAS FOUND WANTING BY THE
GOE. GIVEN THAT THERE ARE BARELY TWO WEEKS BEFORE THE CADUCITY
DEADLINE AND GIVEN THAT THIS IS A WARMED OVER PROPOSAL THAT WAS
PREVIOUSLY REJECTED, WE FEAR THAT THE GOE REACTION MIGHT WELL
BE TO CHARGE THAT GULF IS NOT SERIOUS AND IS MERELY GOING THROUGH
THE MOTIONS.

2. THE MISSING FEATURE OF THE PROPOSAL IS A PROVISION, OR COM-
BINATION OF PROVISIONS, THAT WULD ENABLE THE GOE TO BE ABLE TO
ANNOUNCE TO THE ECUADOREAN PUBLIC THAT GULF IS IN COMPLIANCE WITH
THE GOE'S DEMAND TO PAY IN FULL THE DELINQUENT DEPOSITS.
THE PROPOSAL LEAVES A CERTAIN AMOUNT REMAINING AS
DELINQUENT, ROUGHLY HALF THE \$40 MILLION DELINQUENCIES IF GULF'S
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FIGURES ARE CORRECT, AND IN EFFECT IT ASKS THE GOE TO IGNORE THIS

DELINQUENT AMOUNT ON THE GROUNDS THAT THE AMOUNT IS "COMMENSURATE" WITH THE AMOUNT OWED TO GULF BY THE GOE AND CEPE. APART FROM THE UNCERTAINTIES AS TO WHETHER THE TWO AMOUNTS ARE REALLY COMMENSURATE--THE GOE IS STILL A WAYS FROM QUANTIFYING PRECISELY ITS AND CEPE'S ACKNOWLEDGED DEBTS TO GULF--THIS ATTEMPT TO EQUATE THE TWO WILL IN ANY CASE CERTAINLY NOT MEET THE GOE'S NEED TO BE ABLE TO TELL THE CITIZENRY THAT GULF HAS PAID ITS DELINQUENT DEPOSITS IN FULL.

3. WE BELIEVE THAT THIS ASPECT OF THE PROPOSAL COULD BE MADE ACCEPTABLE TO THE GOE ONLY IF SOMETHING COULD BE DONE TO ENABLE TO GOE TO DEPICT THE REMAINING DELINQUENCY AS BEING NO LONGER A DELINQUENCY; AND THE ONLY WAY WE CAN SEE TO ACCOMPLISH THAT WITHOUT UNDUE FINANCIAL RISK TO GULF IS TO HAVE THE REMAINING DELINQUENT AMOUNT PUT INTO AN ESCROW ACCOUNT THAT IS NOT UNDER THE CONTROL OF EITHER GULF OR THE GOE/CEPE BUT RATHER IS MADE PAYABLE AUTOMATICALLY TO THE ONE OR THE OTHER PARTY WHEN THE TWO PARTIES HAVE REACHED CERTAIN AGREEMENTS. IF THE TWO PARTIES DECIDE TO ENTER INTO NEGOTIATIONS WITH A VIEW TO RESOLVING GULF'S OPERATIONAL DIFFICULTIES SO THAT GULF COULD REMAIN IN THE CONSORTIUM, THEN THE FUNDS IN ESCROW COULD BE APPLIED AS AN OFFSET AGAINST THE TOTAL AMOUNT THAT THE GOE AND CEPE OWE TO GULF, AND THE TRANSFER OF THE FUNDS OUT OF ESCROW WOULD BE EFFECTED WHEN AND ONLY WHEN BOTH PARTIES HAVE RESOLVED THEIR DIFFERENCES AND GULF AGREES TO REMAIN IN THE CONSORTIUM, ALTERNATIVELY, IF THE TWO PARTIES NOW OR EVENTUALLY DECIDE TO NEGOTIATE A GOE BUY-OUT OF GULF, THE FUNDS IN ESCROW WOULD BE APPLIED AGAINST THE PURCHASE PRICE, AND THE TRANSFER OF THE FUNDS OUT OF ESCROW WOULD BE EFFECTED WHEN AND ONLY WHEN BOTH PARTIES CONCLUDE AND SIGN A BUY-OUT AGREEMENT.

4. REGARDING THE APPLICATION OF THE SO-CALLED "ADVANCE" PAYMENTS TO OFFSET THE DELINQUENT DEPOSITS, AS WE NOTED IN PARAGRAPH 1 IT IS ESSENTIALLY THE SAME KIND OF ROLL-OVER HAS ALREADY BEEN BROACHED BY GULF IN RECENT WEEKS TO ADMIRAL POVEDA AND TO FINANCE MINISTER ROBALINO. WHILE EACH EXPRESSED WILLINGNESS TO CONSIDER IT, NEITHER PROVED WILLING IN SUBSEQUENT GOE MEETINGS TO SPEAK UP IN FAVOR OF THE CONCEPT. HOWEVER, WE ASSUME THAT THESE GOE OFFICIALS AND OTHERS ARE NOW LOOKING IN GOOD FAITH FOR A WAY OUT OF THE CURRENT IMPASSE, AND ACCORDINGLY WE DO NOT RULE OUT CONFIDENTIAL

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THE POSSIBILITY THAT THEY MIGHT NOW BE MORE WILLING TO ACCEPT THE ROLL-OVER DEVICE AS ONE THAT WOULD PERMIT THEM TO SAY TO THE ECUADOREAN PUBLIC THAT GULF HAS PAID UP AT LEAST THAT MUCH OF ITS DELINQUENCY, PROVIDED THEY COULD THEN GO ON TO SAY THAT THE BALANCE IS BEING PAID INTO AN ESCROW ACCOUNT, AS OUTLINED IN PARA. 3.

5. WE WISH TO EMPHASIZE THAT EVEN THE DEVICE OF AN ESCROW

ACCOUNT FOR THE REMAINING BALANCE OF DELINQUENT DEPOSITS WILL
BE A RISKY BUSINESS FOR THE GOE, INASMUCH AS UP TO NOW IT HAS
PUBLICLY BRUSHED OFF GULF'S CHARGE THAT THE GOE OWES GULF MONEY
BY IMPLYING THAT THESE DEBTS, IF THEY EXIST, ARE MINOR AMOUNTS.
THUS, THE REVISED OFFER WE SUGGEST IS BY NO MEANS A SURE THING.

6. YOUR NIACT--IMMEDIATE RECEIVED HERE AT 10 P.M. LOCAL TIME
(11 P.M. WASHINGTON TIME).
BLOOMFIELD

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